

# Implementing the Green Package: The New EU ETS Regime

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# Implementing the Green Package

## The new EU ETS regime – preliminary remarks

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- **EU ETS is an approach of carbon pricing**
  - Carbon pricing (through the full value chain) is an essential element of climate policy
  - Carbon pricing is necessary for climate policy – but not necessarily sufficient
- **EU ETS is the carbon pricing option of choice (certainty, efficiency, global linking) – at least for large point sources**
- **ETS is emerging globally**
  - EU-27 plus Norway, Iceland, Liechtenstein
  - USA
  - Canada
  - Australia
  - New Zealand

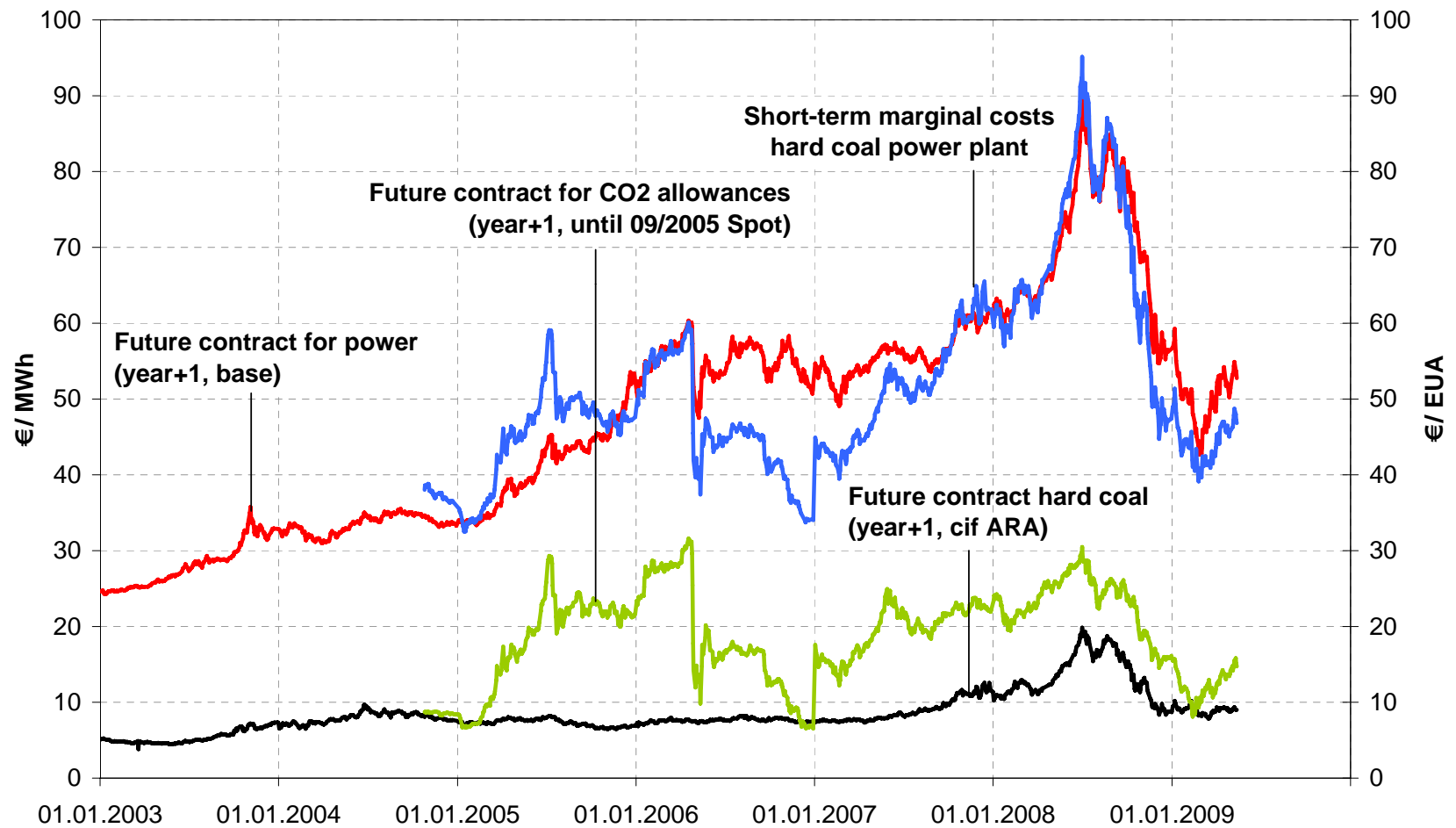
# Implementing the Green Package

## Experiences so far & the new EU ETS regime

- **Experiences with the EU ETS so far**
  - A large-scale ETS works, technicalities matter
  - We can measure abatement (at least for the time when there was a carbon price), we observe ETS-triggered innovation
  - Allocation is not only about distribution
  - An emerging secondary market developed  
primary market : secondary market = 1 : 5.7 (2008)
  - Policy learning occurred: maintaining the carbon price signal, simplicity, transparency – the potential for perversion matters
- **(Aggregate) assessment of the revised EU ETS directive**
  - Achievements: longer term cap = longer-term certainty, auctioning for power sector, larger scope
  - Challenges: wide leakage definition = free allocation for industry, (implicit) capacity payments, allowance for offsets
  - Questions: cap adjustment (multilateral EU target), benchmarks

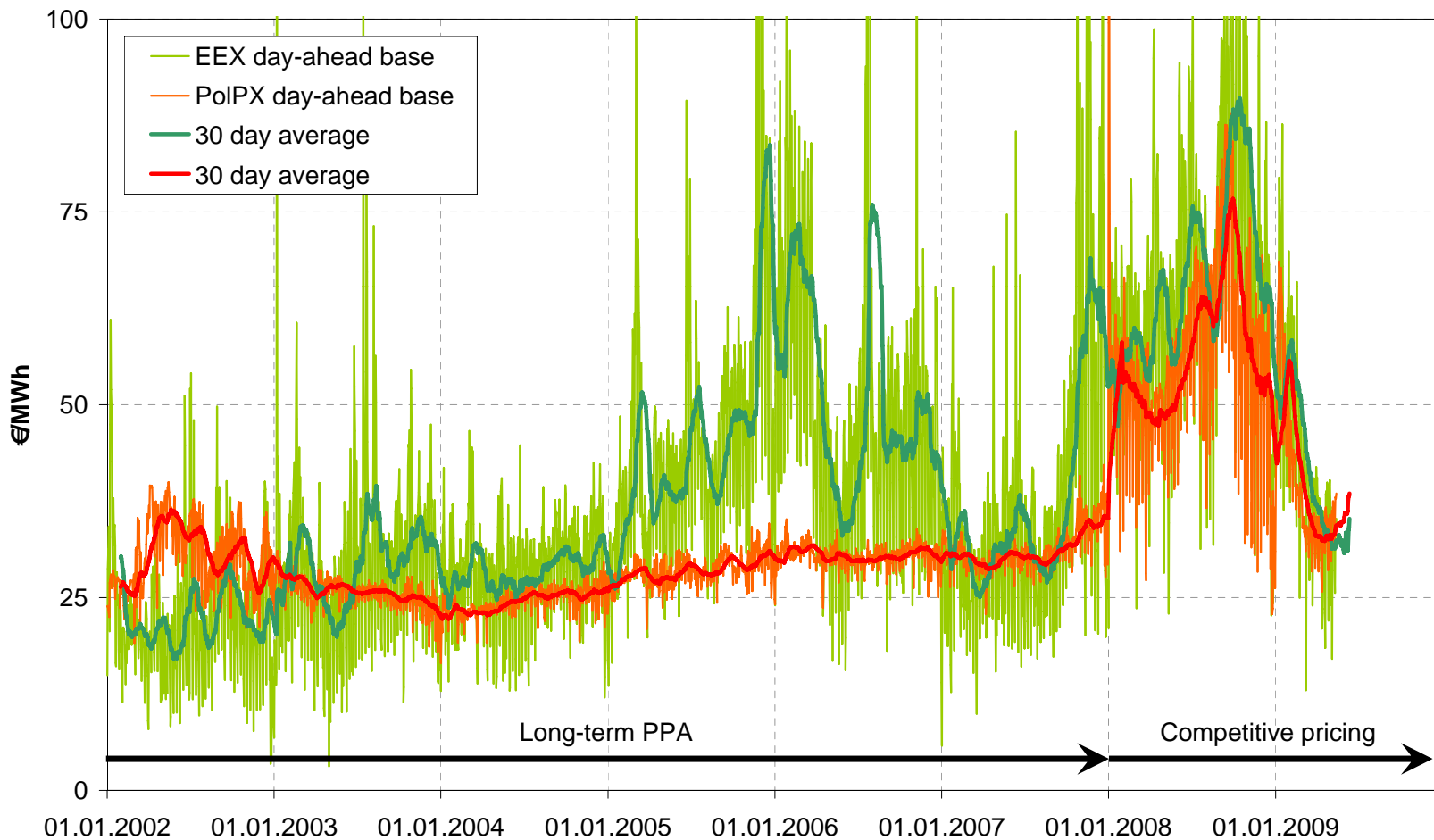
# EU ETS and the power sector

## Marginal cost-based pricing is important



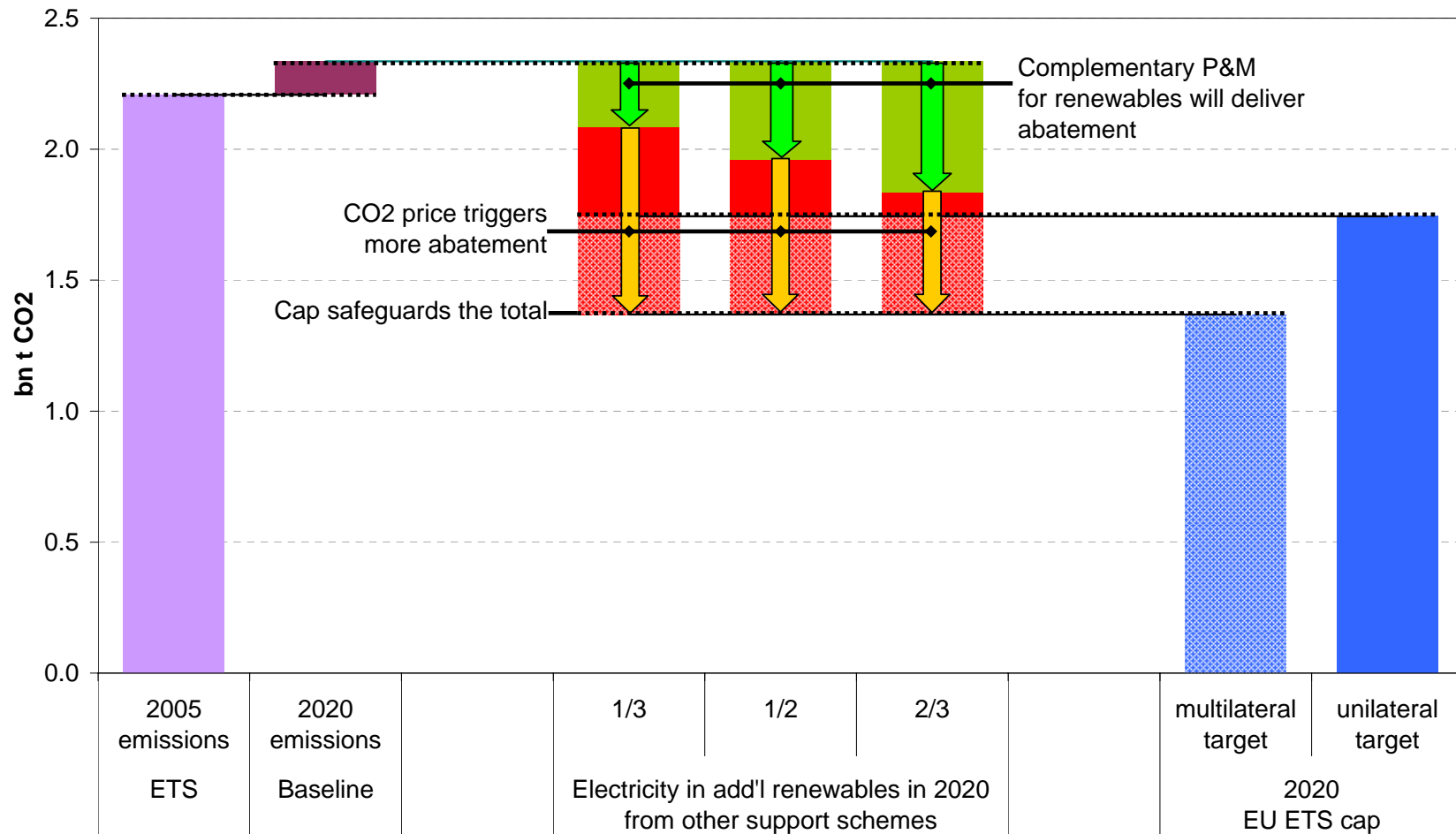
# EU ETS and the power sector

## Market liberalisation is important



# The effects of policy integration

## Careful assessment is needed



# Regulatory challenges beyond ETS

## Energy market regulation is key

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- **New quality: ETS & RES & CCS**
  - Infrastructure is an essential element
    - Fundamental relocation of power generation patterns
    - Additional infrastructure needs
    - New infrastructure challenges: CCS
    - Long lead-times
  - Carbon regulation almost ignored the infrastructure dimension: closer ties to infrastructure & energy security regulation will be needed in an ETS- and other climate policy-driven energy market
- **(Some) regulatory challenges**
  - Locational price signals for power plants
  - Regulation of infrastructure roll-out or major upgrades under uncertainty
  - Optimal CCS infrastructure roll-out, non-discriminatory access to CO2 infrastructure, unbundling of CO2 infrastructure

**Thank you  
very much**

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